

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 10, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Audubon County, Iowa.

The County had local tax revenue of \$11,290,790 for the year ended June 30, 2015, which included \$925,863 in tax credits from the state. The County forwarded \$7,564,487 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,726,303 of the local tax revenue to finance County operations, a 2.7% decrease from the prior year. Other revenues included charges for service of \$635,104, operating grants, contributions and restricted interest of \$2,954,702, capital grants, contributions and restricted interest of \$327,901, tax increment financing of \$29,838, unrestricted investment earnings of \$17,034, local option sales tax of \$257,299, gain on disposition of capital assets of \$94,682 and other general revenues of \$82,445.

Expenses for County operations for the year ended June 30, 2015 totaled \$7,865,337, a 10.9% increase over the prior year. Expenses included \$4,574,207 for roads and transportation, \$1,187,948 for public safety and legal services and \$651,979 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1510-0005-B00F.pdf>.

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AUDUBON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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Audubon County

Officials

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary VanAernam	Board of Supervisors	Jan 2015
Duane Diest	Board of Supervisors	Jan 2017
Todd M. Nelsen	Board of Supervisors	Jan 2017
Lisa Frederiksen	County Auditor	Jan 2017
Debbie Campbell	County Treasurer	Nov 2014
Mary Lou Johansen	County Recorder	Jan 2015
Todd Johnson	County Sheriff	Jan 2017
Francine O'Brien Andersen	County Attorney	Jan 2015
Debra Umland	County Assessor	Jan 2016

(After January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duane Diest	Board of Supervisors	Jan 2017
Todd M. Nelsen	Board of Supervisors	Jan 2017
Gary VanAernam	Board of Supervisors	Jan 2019
Lisa Frederiksen	County Auditor	Jan 2017
Debbie Campbell	County Treasurer	Jan 2019
Mary Lou Johansen	County Recorder	Jan 2019
Todd Johnson	County Sheriff	Jan 2017
Francine O'Brien Anderson	County Attorney	Jan 2019
Debra Umland	County Assessor	Jan 2016

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County as of June 30, 2015 and the respective changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Audubon County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

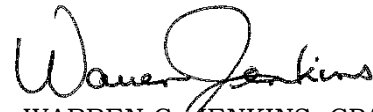
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2016 on our consideration of Audubon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Audubon County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2016

Audubon County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$1,509,644 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because information needed to restate those amounts was not available.
- Revenues of the County's governmental activities decreased 18%, or approximately \$1,785,000, from fiscal year 2014 to fiscal year 2015. Property tax decreased approximately \$95,000, operating grants, contributions and restricted interest increased approximately \$331,000 and capital grants, contributions and restricted interest decreased approximately \$2,243,000.
- Program expenses of the County's governmental activities were 10.9%, or approximately \$770,000, more in fiscal year 2015 than in fiscal year 2014. Roads and transportation expenses increased approximately \$647,000.
- The County's net position at June 30, 2015 increased 1.5%, or approximately \$260,000, over the restated June 30, 2014 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Audubon County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Audubon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, auto license and use tax and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

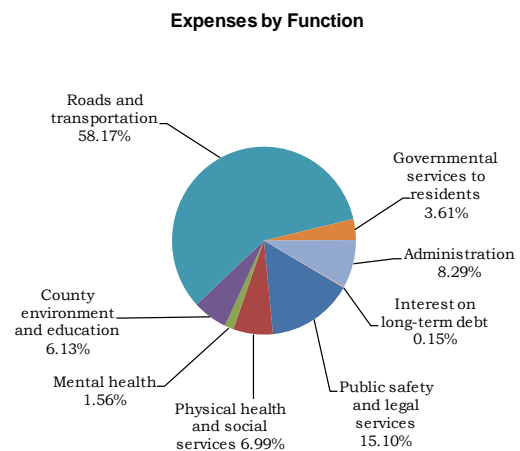
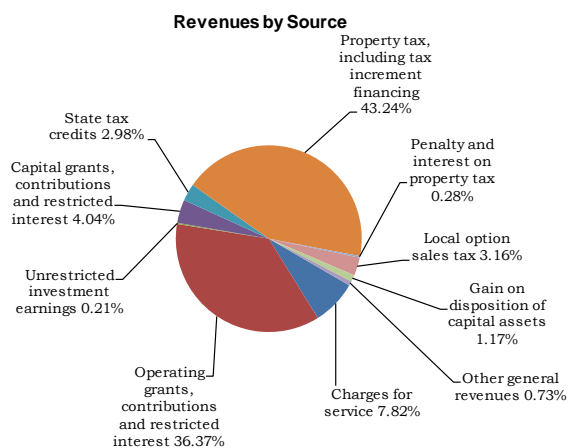
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Audubon County's combined net position decreased from approximately \$18.5 million to approximately \$17.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 9,546	8,719
Capital assets	13,823	14,145
Total assets	23,369	22,864
Deferred outflows of resources	291	-
Long-term liabilities	1,576	598
Other liabilities	621	221
Total liabilities	2,197	819
Deferred inflows of resources	4,195	3,527
Net position:		
Net investment in capital assets	13,823	14,121
Restricted	3,693	3,530
Unrestricted	(248)	867
Total net position	\$ 17,268	18,518

Prior to restatement, the net position of Audubon County's governmental activities decreased 6.8% (approximately \$17.3 million compared to approximately \$18.5 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$867,000 at June 30, 2014 to a deficit of approximately \$248,000 at the end of this year, a decrease of 128.6%, primarily due to recording the net pension liability as of July 1, 2014.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2015 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 635	521
Operating grants, contributions and restricted interest	2,955	2,624
Capital grants, contributions and restricted interest	328	2,571
General revenues:		
Property tax, including tax increment financing	3,514	3,609
Penalty and interest on property tax	23	16
State tax credits	242	221
Local option sales tax	257	264
Unrestricted investment earnings	17	6
Gain on disposition of capital assets	95	63
Other general revenues	59	15
Total revenues	8,125	9,910
Program expenses:		
Public safety and legal services	1,188	1,123
Physical health and social services	550	516
Mental health	123	68
County environment and education	482	530
Roads and transportation	4,574	3,927
Governmental services to residents	284	282
Administration	652	637
Interest on long-term debt	12	12
Total expenses	7,865	7,095
Change in net position	260	2,815
Net position beginning of year, as restated	17,008	15,703
Net position end of year	\$ 17,268	18,518



The County decreased property tax rates for fiscal year 2015 an average of 3.7%. The overall rate decrease, coupled with an overall increase in taxable valuation of approximately \$4,826,000, decreased the County's property tax revenue approximately \$95,000 in fiscal year 2015.

The cost of all governmental activities this year was approximately \$7.9 million compared to approximately \$7.1 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$3.9 million because some of the cost was paid by those directly benefited from the programs (\$635,104) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,282,603). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2015 from approximately \$5,716,000 to approximately \$3,918,000, principally due to receiving grant proceeds for the completion of several road and bridge projects in the prior year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$5.1 million, an increase of more than \$137,000 above last year's total of approximately \$5.0 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending balance showed a modest increase of approximately \$161,000 over the prior year to approximately \$2,033,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled approximately \$290,000, a decrease of 5% from the prior year, and expenditures totaled approximately \$123,000, an increase of 81% from the prior year. The decrease in revenues and increase in expenditures is due to the regionalization of mental health services. The Special Revenue, Mental Health Fund balance at year end increased approximately \$167,000 over the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$686,000 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$148,000, or 9.6%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget two times. The first amendment was made in August 2014 and resulted in an increase in budgeted disbursements related to a Fish and Wildlife grant received from the State of Iowa. The grant was for the dredging, rip rap and silt removal of Littlefield Lake in the County's conservation area. The second amendment was made in May 2015 and resulted in an increase in budgeted disbursements of \$528,000 related to increased costs for secondary roads projects.

The County's receipts were \$203,939 more than budgeted, a variance of 2.8%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$1,312,581 less than the amended budget. Actual disbursements for the capital projects, debt service and public safety and legal services functions were \$538,435, \$317,024 and \$209,342, respectively, less than budgeted. This was primarily due to a delay in starting the 190th Street Secondary Roads project, a delay in the repayment of the County's short term line of credit and a decrease in Sheriff Department disbursements during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Audubon County had approximately \$13.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net decrease (including additions and deletions) of approximately \$322,000, or 2.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 931	931
Construction in progress	392	-
Buildings and improvements	695	728
Equipment and vehicles	1,572	1,470
Infrastructure, road network and other	10,233	11,016
Total	<u>\$ 13,823</u>	<u>14,145</u>

The County had depreciation expense of \$1,104,867 for fiscal year 2015 and total accumulated depreciation of \$10,640,840 at June 30, 2015. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2015, Audubon County had approximately \$254,000 of general obligation bonds and other debt outstanding, compared to approximately \$308,000 at June 30, 2014, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation bonds	\$ 254	284
Airport loan	-	24
Total	<u>\$ 254</u>	<u>308</u>

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$40 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.7% versus 4.4% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3%. Another major factor is the taxable valuation of property within the county. The taxable valuation for rural areas for fiscal year 2016 is up 3.6% to \$315 million and the countywide taxable valuation increased 3.2% to \$378 million.

Audubon County budgets on a cash basis. Amounts available for appropriation in the operating budget are approximately \$13.0 million, a decrease of 2.6% from the final fiscal year 2015 budget. With budgeted disbursements decreasing approximately \$986,000, the operating ending balance is expected to decrease approximately \$467,000 from the re-estimated June 30, 2015 balance. The fiscal year 2015 actual cash basis ending balance was \$4.7 million, approximately \$437,000 higher than projected, which will increase the estimated fiscal year 2016 ending balance accordingly. The County has added no major new programs or initiatives to the fiscal year 2016 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Audubon County Auditor's Office, 318 Leroy Street, #4, Audubon, Iowa 50025.

Audubon County

Basic Financial Statements

Exhibit A

Audubon County
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,677,258
Receivables:	
Property tax:	
Delinquent	2,331
Succeeding year	3,537,000
Succeeding year tax increment financing	63,000
Interest and penalty on property tax	7,749
Accounts	12,546
Loan	43,080
Accrued interest	330
Due from other governments	600,879
Inventories	553,397
Prepaid expenses	48,183
Capital assets, net of accumulated depreciation	13,823,402
Total assets	<u>23,369,155</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>291,597</u>
Liabilities	
Accounts payable	392,691
Accrued interest payable	456
Salaries and benefits payable	15,097
Due to other governments	33,377
Anticipation project note	179,765
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	35,000
Compensated absences	102,176
Portion due or payable after one year:	
Bonds payable	219,189
Compensated absences	63,272
Net pension liability	1,070,613
Net OPEB liability	85,500
Total liabilities	<u>2,197,136</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	3,537,000
Unavailable tax increment financing	63,000
Pension related deferred inflows	595,162
Total deferred inflows of resources	<u>4,195,162</u>
Net Position	
Net investment in capital assets	13,823,402
Restricted for:	
Supplemental levy purposes	658,260
Mental health purposes	928,079
Rural services purposes	424,098
Secondary roads purposes	1,489,454
Other purposes	193,161
Unrestricted	(248,000)
Total net position	<u>\$ 17,268,454</u>

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,187,947	141,668	7,658	-	(1,038,621)
Physical health and social services	550,021	270,615	99,996	-	(179,410)
Mental health	123,209	41	9,825	-	(113,343)
County environment and education	482,058	54,002	11,561	21,321	(395,174)
Roads and transportation	4,574,206	22,587	2,825,662	306,580	(1,419,377)
Governmental services to residents	284,411	117,718	-	-	(166,693)
Administration	651,979	8,273	-	-	(643,706)
Non-program	-	20,200	-	-	20,200
Interest on long-term debt	11,504	-	-	-	(11,504)
Total	\$ 7,865,335	635,104	2,954,702	327,901	(3,947,628)
General Revenues:					
Property and other county tax levied for general purposes					3,484,066
Tax increment financing					29,838
Penalty and interest on property tax					23,333
State tax credits					242,237
Local option sales tax					257,299
Unrestricted investment earnings					17,034
Gain on disposition of capital assets					94,682
Miscellaneous					59,112
Total general revenues					4,207,601
Change in net position					259,973
Net position beginning of year, as restated					17,008,481
Net position end of year					\$ 17,268,454
See notes to financial statements.					

Audubon County
Balance Sheet
Governmental Funds

June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,930,464	937,072	555,081	1,060,021
Receivables:				
Property tax:				
Delinquent	1,800	252	279	-
Succeeding year	1,996,000	114,000	1,427,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	7,749	-	-	-
Accounts	11,824	-	-	616
Loan	43,080	-	-	-
Accrued interest	310	-	-	-
Due from other governments	85,534	2,311	-	513,034
Inventories	-	-	676	552,721
Prepaid expenses	41,013	-	-	7,170
Total assets	\$ 4,117,774	1,053,635	1,983,036	2,133,562
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,840	4,760	5,276	341,525
Salaries and benefits payable	13,362	235	715	785
Due to other governments	26,210	6,561	-	606
Anticipation project note	-	-	-	179,765
Total liabilities	<u>79,412</u>	<u>11,556</u>	<u>5,991</u>	<u>522,681</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,996,000	114,000	1,427,000	-
Succeeding year tax increment financing	-	-	-	-
Other	9,549	252	279	218,417
Total deferred inflows of resources	<u>2,005,549</u>	<u>114,252</u>	<u>1,427,279</u>	<u>218,417</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	676	552,721
Prepaid expenses	41,013	-	-	7,170
Loan receivable	43,080	-	-	-
Restricted for:				
Supplemental levy purposes	558,687	-	107,536	-
Mental health purposes	-	927,827	-	-
Rural services purposes	-	-	441,554	-
Secondary roads purposes	-	-	-	832,573
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Cass-Audubon economic development agreement	40,000	-	-	-
Sheriff	51,611	-	-	-
Park improvements	71,292	-	-	-
Jail commissary	4,596	-	-	-
Unassigned	1,222,534	-	-	-
Total fund balances	<u>2,032,813</u>	<u>927,827</u>	<u>549,766</u>	<u>1,392,464</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 4,117,774	1,053,635	1,983,036	2,133,562

See notes to financial statements.

Nonmajor	Total
194,620	4,677,258
-	2,331
-	3,537,000
63,000	63,000
-	7,749
106	12,546
-	43,080
20	330
-	600,879
-	553,397
-	48,183
257,746	9,545,753

1,290	392,691
-	15,097
-	33,377
-	179,765
1,290	620,930

-	3,537,000
63,000	63,000
-	228,497
63,000	3,828,497

-	553,397
-	48,183
-	43,080
-	666,223
-	927,827
-	441,554
-	832,573
295	295
193,161	193,161
-	40,000
-	51,611
-	71,292
-	4,596
-	1,222,534
193,456	5,096,326
257,746	9,545,753

Audubon County

Audubon County
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2015

Total governmental fund balances (page 21) \$ 5,096,326

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$24,464,242 and the accumulated depreciation is \$10,640,840. 13,823,402

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 228,497

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows

Deferred outflows of resources	291,597	
Deferred inflows of resources	(595,162)	(303,565)

Long-term liabilities, including bonds payable, loan payable, other postemployment benefits payable, net pension liability, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,576,206)

Net position of governmental activities (page 18) \$ 17,268,454

See notes to financial statements.

Audubon County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,857,311	260,166	1,368,320	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	257,299
Interest and penalty on property tax	25,509	-	-	-
Intergovernmental	583,766	29,938	81,806	2,684,774
Licenses and permits	20,571	-	-	410
Charges for service	241,746	-	-	-
Use of money and property	40,394	-	-	-
Miscellaneous	42,289	256	195	40,040
Total revenues	2,811,586	290,360	1,450,321	2,982,523
Expenditures:				
Operating:				
Public safety and legal services	853,016	-	373,628	-
Physical health and social services	557,236	-	-	-
Mental health	-	123,209	-	-
County environment and education	259,048	-	144,637	-
Roads and transportation	-	-	306,854	3,388,228
Governmental services to residents	280,433	-	1,076	-
Administration	635,685	-	14,182	-
Debt service	41,422	-	24,781	-
Capital projects	24,161	-	1,146	385,038
Total expenditures	2,651,001	123,209	866,304	3,773,266
Excess (deficiency) of revenues over (under) expenditures	160,585	167,151	584,017	(790,743)
Other financing sources (uses):				
Transfers in	-	-	-	640,935
Transfers out	-	-	(625,000)	-
Sale of capital assets	-	-	502	1,500
Total other financing sources (uses)	-	-	(624,498)	642,435
Change in fund balances	160,585	167,151	(40,481)	(148,308)
Fund balances beginning of year	1,872,228	760,676	590,247	1,540,772
Fund balances end of year	\$ 2,032,813	927,827	549,766	1,392,464

See notes to financial statements.

Nonmajor	Total
-	3,485,797
29,838	29,838
-	257,299
-	25,509
11,977	3,392,261
-	20,981
1,314	243,060
184	40,578
7,174	89,954
50,487	7,585,277
20,730	1,247,374
-	557,236
-	123,209
14,324	418,009
-	3,695,082
500	282,009
-	649,867
-	66,203
-	410,345
35,554	7,449,334
14,933	135,943
-	640,935
(15,935)	(640,935)
-	2,002
(15,935)	2,002
(1,002)	137,945
194,458	4,958,381
193,456	5,096,326

Audubon County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year ended June 30, 2015

Change in fund balances - Total governmental funds (page 25) \$ 137,945

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 459,401	
Capital assets contributed by the Iowa Department of Transportation	229,052	
Depreciation expense	<u>(1,104,867)</u>	(416,414)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

94,682

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(1,731)	
Other	<u>216,026</u>	214,295

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

53,958

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position.

220,199

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	55,400	
Other postemployment benefits	(16,100)	
Pension expense	(84,733)	
Interest on long-term debt	<u>741</u>	(44,692)

Change in net position of governmental activities (page 19) \$ 259,973

See notes to financial statements.

Audubon County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash and pooled investments:

County Treasurer	\$ 577,971
Other County officials	2,025

Receivables:

Property tax:

Delinquent	10,114
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Succeeding year	7,004,000
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Accounts	5,520
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Accrued interest	93
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Special assessments	21,129
---------------------	--------

Due from other governments	117,916
----------------------------	---------

Prepaid expenses	11,514
------------------	--------

Total assets	<u>7,750,282</u>
---------------------	------------------

Liabilities

Accounts payable	12,646
------------------	--------

Due to other governments	7,693,016
--------------------------	-----------

Trusts payable	32,747
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Compensated absences	11,873
----------------------	--------

Total liabilities	<u>7,750,282</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Audubon County

Audubon County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Audubon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Audubon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission, County Joint E911 Service Board, County Solid Waste Commission and the Audubon County Airport Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Position presents the County's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These special assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure, roads	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to the future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$96,974 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 625,000
	Tax Increment Financing	15,935
Total		<u>\$ 640,935</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	-	392,269	-	392,269
Total capital assets not being depreciated	<u>930,886</u>	<u>392,269</u>	<u>-</u>	<u>1,323,155</u>
Capital assets being depreciated:				
Buildings	1,309,124	-	-	1,309,124
Building improvements	205,035	-	-	205,035
Equipment and vehicles	5,699,540	398,584	261,833	5,836,291
Infrastructure, roads	14,475,648	-	-	14,475,648
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	<u>23,004,336</u>	<u>398,584</u>	<u>261,833</u>	<u>23,141,087</u>
Less accumulated depreciation for:				
Buildings	581,109	33,234	-	614,343
Building improvements	205,034	-	-	205,034
Equipment and vehicles	4,229,324	289,114	254,115	4,264,323
Infrastructure, roads	4,281,013	718,019	-	4,999,032
Infrastructure, other	493,608	64,500	-	558,108
Total accumulated depreciation	<u>9,790,088</u>	<u>1,104,867</u>	<u>254,115</u>	<u>10,640,840</u>
Total capital assets being depreciated, net	<u>13,214,248</u>	<u>(706,283)</u>	<u>7,718</u>	<u>12,500,247</u>
Governmental activities capital assets, net	<u>\$ 14,145,134</u>	<u>(314,014)</u>	<u>7,718</u>	<u>13,823,402</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 62,587
County environment and education	69,432
Roads and transportation	936,998
Governmental services to residents	7,531
Administration	28,319
Total depreciation expense - governmental activities	<u>\$ 1,104,867</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 26,210
Special Revenue:		
Mental Health	Services	6,561
Secondary Roads	Services	606
		<u>7,167</u>
Total for governmental funds		<u>\$ 33,377</u>
Agency:		
County Offices	Collections	\$ 9,694
Agriculture Extension Education		109,337
County Assessor		260,920
County Hospital		872,474
Schools		4,237,184
Community Colleges		259,102
Corporations		1,207,902
Townships		188,060
Auto License and Use Tax		167,455
All other		380,888
Total for agency funds		<u>\$ 7,693,016</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation	Economic Development Bonds	Airport Loan	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$	284,321	23,826	220,848	1,719,237	69,400	2,317,632
Increases		-	-	95,252	-	35,789	131,041
Decreases		30,132	23,826	150,652	648,624	19,689	872,923
Balance end of year	\$	254,189	-	165,448	1,070,613	85,500	1,575,750
Due within one year	\$	35,000	-	102,176	-	-	137,176

General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds were provided to Valley Business Park Corporation to purchase land for economic development. The County expects to pay \$40,000 annually toward principal and interest on the debt with Valley Business Park Corporation contributing the remainder of the payment. No formal agreement exists between the County and Valley Business Park Corporation detailing the terms for repayment of the debt. However, at June 30, 2015, a loan receivable of \$43,080 has been recognized in the County's financial statements representing the amount Valley Business Park Corporation is expected to contribute to the repayment of the County's debt.

Details of the general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	6.25%	\$ 35,000	10,055	45,055
2017	6.25	35,000	8,643	43,643
2018	6.25	40,000	7,274	47,274
2019	6.25	40,000	5,694	45,694
2020	6.25	45,000	4,120	49,120
2021-2022	6.25	59,189	2,892	62,081
Total		\$ 254,189	38,678	292,867

During the year ended June 30, 2015, \$30,132 of bonds were retired and interest of \$11,290 was paid.

Airport Loan

In October 2012, the County borrowed \$55,268 to pay the County's portion of the local match for a federal grant received by the Audubon County Airport Authority for Airport Runway Rehabilitation Project 14-32. The loan is payable in annual installments of \$19,431, including interest at 3% per annum, over a period of three years.

During the year ended June 30, 2015, the remaining principal balance of \$23,826 of the airport loan was retired.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member received benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contributions rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the county contributed 8.93% for the total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$220,199.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,070,613 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.026995%, which was a decrease of 0.002947% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$84,733. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,167	14,503
Changes of assumptions	49,407	13,475
Net difference between projected and actual earnings on pension plan investments	-	562,204
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	9,824	4,980
County contributions subsequent to the measurement date	220,199	-
Total	<u>\$ 291,597</u>	<u>595,162</u>

\$220,199 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (131,570)
2017	(131,570)
2018	(131,570)
2019	(131,570)
2020	2,516
Total	<u>\$ (523,764)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)	\$ 2,356,544	\$1,070,613	\$ (13,827)

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2015.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 49 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a health plan insured through the Iowa Association of Counties group plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 35,665
Interest on net OPEB obligation	2,776
Adjustment to annual required contribution	<u>(2,652)</u>
Annual OPEB cost (expense)	35,789
Contributions made	<u>(19,689)</u>
Increase in net OPEB obligation	16,100
Net OPEB obligation beginning of year	<u>69,400</u>
Net OPEB obligation end of year	<u>\$ 85,500</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$19,689 to the medical plan. Plan members eligible for benefits contributed \$7,516, or 27.6% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 35,675	55.1%	\$ 53,300
2014	35,760	55.0	69,400
2015	35,789	55.0	85,500

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$281,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$281,000. The covered payroll (annual payroll of active employees eligible to be covered by the plan) was approximately \$1,756,000 and the ratio of the UAAL to covered payroll was 16.0%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Mortality Table.

Projected claim costs of the medical plan are \$574 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open group basis over 30 years.

(9) Voluntary Termination Benefit Program for the County Engineer's and Sheriff's Offices

A voluntary termination benefit program has been established for County employees who are covered by the County Engineer Union contract and the County Sheriff Union contract. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay towards the purchase of health insurance after their retirement.

Upon retirement, employees with at least 15 years of service may convert 25% of their accumulated, unused sick leave at their current regular hourly rate of pay.

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. Each month, the County will pay 100% of the employee's monthly health insurance premium from the retiree's Sick Leave Upon Retirement account.

The employer will continue to pay the employee's monthly health insurance premium each month until the converted value of the retiree's Sick Leave Upon Retirement balance is exhausted.

All program benefits are financed on a pay-as-you-go basis by the County. A liability of \$21,286 has been included in compensated absences on the Statement of Net Position.

During the year ended June 30, 2015, two employees received benefits totaling \$1,717 under the Sick Leave Upon Retirement program.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expense for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$117,199.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$25,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Development Agreement

The County agreed to rebate 50% of the incremental property tax paid by West Central Cooperative Inc., up to a maximum of \$55,674 per year, in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to West Central Cooperative, Inc. for a period not to exceed 10 years or in a cumulative amount not to exceed a total of \$325,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2013.

The total rebated during the year ended June 30, 2015 was \$14,324 and the cumulative rebated amount is \$65,353.

(12) Anticipation Project Note

On May 1, 2015, the County entered into an anticipation project note with Exchange State Bank, Exira, Iowa. The loan agreement anticipation project note was for up to \$1,200,000 to be used for the purpose of aiding in the planning, undertaking and carrying out urban renewal projects in the Audubon County Consolidated Urban Renewal Area, including construction, reconstruction and improvements of county roads. The note was issued pursuant to Chapters 331.402 and 331.441 of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of an authorized loan agreement and other revenues and sources to become available during the construction of the Project. The note accrues interest at a rate of 1.95% per annum, payable on December 1, 2015 and June 1, 2016. The note matures on June 1, 2016 and, as such, is recognized as a short term liability in the Special Revenue, Secondary Roads Fund. At June 30, 2015, the County had drawn \$179,765 against the anticipation project note.

(13) Audubon County Financial Information Included in the Heart of Iowa Community Services Mental Health Region

Heart of Iowa Community Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Dallas, Greene, Guthrie and Audubon County. The financial activity of Audubon County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Community Services Mental Health Region for the year ended June 30, 2015, as follows:

Revenues:		
Property and other county tax		\$ 260,166
Intergovernmental:		
State tax credits	\$ 13,456	
Social services block grant	9,690	
Other	6,792	29,938
Miscellaneous		256
Total revenues		<u>290,360</u>
Expenditures:		
Services to persons with:		
Mental illness	41,132	
Intellectual disability	4,874	46,006
General administration:		
Direct administration	29,807	
Distribution to regional fiscal agent	47,396	77,203
Total expenditures		<u>123,209</u>
Excess of revenues over expenditures		167,151
Fund balance beginning of year		760,676
Fund balance end of year		<u>\$ 927,827</u>

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 18,518,125
Net pension liability at June 30, 2014	(1,719,237)
Deferred outflows of resources	
related to prior year contributions made after	
the June 30, 2013 measurement date	<u>209,593</u>
Net position July 1, 2014, as restated	<u><u>\$ 17,008,481</u></u>

Required Supplementary Information

Audubon County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2015

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 3,774,188	3,855,477	3,855,477	(81,289)
Interest and penalty on property tax	23,976	-	-	23,976
Intergovernmental	3,237,278	3,094,728	3,127,728	109,550
Licenses and permits	17,089	10,500	10,500	6,589
Charges for service	248,105	198,460	198,460	49,645
Use of money and property	40,602	22,725	22,725	17,877
Miscellaneous	99,841	22,250	22,250	77,591
Total receipts	7,441,079	7,204,140	7,237,140	203,939
Disbursements:				
Public safety and legal services	1,246,462	1,434,804	1,455,804	209,342
Physical health and social services	543,238	595,074	595,074	51,836
Mental health	124,170	197,058	197,058	72,888
County environment and education	454,880	488,397	488,397	33,517
Roads and transportation	3,840,308	3,342,871	3,842,871	2,563
Governmental services to residents	280,391	300,162	302,162	21,771
Administration	635,856	701,061	701,061	65,205
Debt service	24,781	341,805	341,805	317,024
Capital projects	247,912	753,347	786,347	538,435
Total disbursements	7,397,998	8,154,579	8,710,579	1,312,581
Excess (deficiency) of receipts over (under) disbursements	43,081	(950,439)	(1,473,439)	1,516,520
Other financing sources, net	186,017	630,000	630,000	(443,983)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	229,098	(320,439)	(843,439)	1,072,537
Balance beginning of year	4,448,160	3,431,294	4,448,156	4
Balance end of year	\$ 4,677,258	3,110,855	3,604,717	1,072,541

See accompanying independent auditor's report.

Audubon County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2015

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 7,441,079	144,198	7,585,277
Expenditures	7,397,998	51,336	7,449,334
Net	43,081	92,862	135,943
Other financing sources, net	186,017	(184,015)	2,002
Beginning fund balances	4,448,160	510,221	4,958,381
Ending fund balances	\$ 4,677,258	419,068	5,096,326

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$556,000. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

Audubon County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.026995%
County's collective proportionate share of the net pension liability (asset)	\$ 1,071
County's covered-employee payroll	\$ 2,295
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.67%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Audubon County

Schedule of County Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 220	210	197	181
Contributions in relation to the statutorily required contribution	<u>(220)</u>	<u>(210)</u>	<u>(197)</u>	<u>(181)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 2,384	2,295	2,207	2,156
Contributions as a percentage of covered-employee payroll	9.23%	9.15%	8.93%	8.40%
See accompanying independent auditor's report.				

2011	2010	2009	2008	2007	2006
157	153	136	127	119	110
(157)	(153)	(136)	(127)	(119)	(110)
-	-	-	-	-	-
2,119	2,216	2,089	1,909	1,976	1,824
7.41%	6.90%	6.51%	6.65%	6.02%	6.03%

Audubon County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Audubon County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 218	218	0.0%	\$ 1,978	11.0%
2011	July 1, 2009	-	218	218	0.0	2,032	10.7
2012	July 1, 2009	-	218	218	0.0	1,769	12.3
2013	July 1, 2012	-	281	281	0.0	1,811	15.5
2014	July 1, 2012	-	281	281	0.0	1,774	15.8
2015	July 1, 2012	-	281	281	0.0	1,756	16.0

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Audubon County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Resource Enhancement and Protection	County Recorder's Records Management
Assets		
Cash and pooled investments	\$ 14,243	3,341
Receivables:		
Succeeding year tax increment financing	-	-
Accounts	-	106
Accrued interest	-	1
Total assets	\$ 14,243	3,448
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ -	-
Deferred inflows of resources:		
Unavailable succeeding year tax increment financing	-	-
Fund balances:		
Restricted for:		
Debt service	-	-
Other purposes	14,243	3,448
Total fund balances	14,243	3,448
Total liabilities, deferred inflows of resources and fund balances	\$ 14,243	3,448

See accompanying independent auditor's report.

Special Revenue					
Forfeiture	AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Tax Increment Financing	Total
33,316	8,085	106,746	28,594	295	194,620
-	-	-	-	63,000	63,000
-	-	-	-	-	106
-	-	17	2	-	20
33,316	8,085	106,763	28,596	63,295	257,746
-	-	-	1,290	-	1,290
-	-	-	-	63,000	63,000
-	-	-	-	295	295
33,316	8,085	106,763	27,306	-	193,161
33,316	8,085	106,763	27,306	295	193,456
33,316	8,085	106,763	28,596	63,295	257,746

Audubon County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Resource Enhancement and Protection	County Recorder's Records Management
Revenues:		
Tax increment financing	\$ -	-
Intergovernmental	11,556	-
Charges for service	-	1,314
Use of money and property	4	-
Miscellaneous	-	-
Total revenues	11,560	1,314
Expenditures:		
Operating:		
Public safety and legal services	-	-
County environment and education	-	-
Governmental services to residents	-	500
Total expenditures	-	500
Excess (deficiency) of revenues over (under) expenditures	11,560	814
Other financing uses:		
Transfers out	-	-
Change in fund balances	11,560	814
Fund balances beginning of year	2,683	2,634
Fund balances end of year	\$ 14,243	3,448

See accompanying independent auditor's report.

Special Revenue					
Forfeiture	AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Tax Increment Financing	Total
-	-	-	-	29,838	29,838
-	-	-	-	421	11,977
-	-	-	-	-	1,314
-	-	163	17	-	184
-	7,174	-	-	-	7,174
-	7,174	163	17	30,259	50,487
-	514	5,684	14,532	-	20,730
-	-	-	-	14,324	14,324
-	-	-	-	-	500
-	514	5,684	14,532	14,324	35,554
-	6,660	(5,521)	(14,515)	15,935	14,933
-	-	-	-	(15,935)	(15,935)
-	6,660	(5,521)	(14,515)	-	(1,002)
33,316	1,425	112,284	41,821	295	194,458
33,316	8,085	106,763	27,306	295	193,456

Audubon County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ 11,670	1,238	54,032	9,696	51,997
Other County officials	2,025	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	99	201	778	4,187
Succeeding year	-	108,000	219,000	862,000	4,181,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	11,514	-	-
Total assets	\$ 13,695	109,337	284,747	872,474	4,237,184
Liabilities					
Accounts payable	\$ -	-	11,954	-	-
Due to other governments	9,694	109,337	260,920	872,474	4,237,184
Trusts payable	4,001	-	-	-	-
Compensated absences	-	-	11,873	-	-
Total liabilities	\$ 13,695	109,337	284,747	872,474	4,237,184

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
2,885	12,308	2,023	167,455	264,667	577,971
-	-	-	-	-	2,025
217	4,594	37	-	1	10,114
256,000	1,191,000	186,000	-	1,000	7,004,000
-	-	-	-	5,520	5,520
-	-	-	-	93	93
-	-	-	-	21,129	21,129
-	-	-	-	117,916	117,916
-	-	-	-	-	11,514
259,102	1,207,902	188,060	167,455	410,326	7,750,282
-	-	-	-	692	12,646
259,102	1,207,902	188,060	167,455	380,888	7,693,016
-	-	-	-	28,746	32,747
-	-	-	-	-	11,873
259,102	1,207,902	188,060	167,455	410,326	7,750,282

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year	\$ 9,389	104,527	267,667	818,415	4,385,436
Additions:					
Property and other county tax	-	107,423	216,829	855,646	4,140,581
E911 surcharge	-	-	-	-	-
State tax credits	-	7,973	16,176	62,453	334,815
Office fees and collections	173,905	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	126	-	-
Total additions	173,905	115,396	233,131	918,099	4,475,396
Deductions:					
Agency remittances:					
To other funds	72,709	-	-	-	-
To other governments	96,890	110,586	216,051	864,040	4,623,648
Total deductions	169,599	110,586	216,051	864,040	4,623,648
Balances end of year	\$ 13,695	109,337	284,747	872,474	4,237,184

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
242,622	1,058,511	171,161	153,379	345,509	7,556,616
254,119	1,118,124	187,013	-	1,126	6,880,861
-	-	-	-	148,165	148,165
18,588	162,980	10,285	-	70,356	683,626
-	-	-	-	-	173,905
-	-	-	2,248,182	-	2,248,182
-	-	-	-	10,746	10,746
-	-	-	-	38,328	38,328
-	-	-	-	51,629	51,755
272,707	1,281,104	197,298	2,248,182	320,350	10,235,568
-	-	-	-	-	-
-	-	-	80,947	186,886	340,542
256,227	1,131,713	180,399	2,153,159	68,647	9,701,360
256,227	1,131,713	180,399	2,234,106	255,533	10,041,902
259,102	1,207,902	188,060	167,455	410,326	7,750,282

Audubon County
Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 3,485,797	3,558,722	3,846,211	3,476,195
Tax increment financing	29,838	51,049	-	-
Local option sales tax	257,299	264,025	268,687	242,276
Interest and penalty on property tax	25,509	23,612	20,974	24,799
Intergovernmental	3,392,261	3,095,806	2,996,795	2,998,188
Licenses and permits	20,981	12,950	17,329	25,264
Charges for service	243,060	219,127	243,770	245,291
Use of money and property	40,578	26,474	29,102	45,219
Miscellaneous	89,954	45,791	129,890	171,682
Total	\$ 7,585,277	\$ 7,297,556	\$ 7,552,758	7,228,914
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,247,374	1,118,953	\$ 1,055,931	1,048,453
Physical health and social services	557,236	514,634	488,418	560,091
Mental health	123,209	67,910	155,940	1,039,242
County environment and education	418,009	456,250	451,977	451,191
Roads and transportation	3,695,082	3,352,445	3,550,745	3,341,539
Governmental services to residents	282,009	271,696	314,132	318,730
Administration	649,867	623,242	650,937	696,884
Non-program	-	-	-	-
Debt service	66,203	108,757	151,401	129,573
Capital projects	410,345	26,701	399,279	333,161
Total	\$ 7,449,334	\$ 6,540,588	7,218,760	7,918,864

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
3,301,560	3,260,256	3,165,443	3,339,314	2,947,792	2,787,515
-	-	-	-	-	-
290,899	205,436	252,399	364,263	201,385	203,123
29,155	23,401	18,757	20,466	23,520	20,609
3,851,963	3,317,115	3,042,035	3,546,225	2,892,234	2,777,310
18,893	13,324	9,430	7,863	7,154	8,043
259,249	226,123	243,189	218,088	217,759	210,753
43,003	64,827	66,821	176,424	215,182	175,395
73,608	122,386	93,200	302,894	110,007	107,614
7,868,330	7,232,868	6,891,274	7,975,537	6,615,033	6,290,362
1,047,406	1,020,955	980,359	894,634	860,371	849,610
570,098	586,559	563,834	544,721	486,841	482,623
796,462	658,737	879,184	917,687	984,171	822,787
1,249,182	560,321	458,616	922,345	456,994	377,990
2,904,858	2,718,188	2,923,000	3,131,863	2,694,168	2,966,815
304,034	299,890	306,424	263,128	278,339	327,444
666,107	716,681	644,180	616,972	620,005	635,940
61	-	-	-	-	-
132,895	171,571	161,098	411,481	406,297	407,951
36,347	60,925	440,636	338,024	665,932	242,763
7,707,450	6,793,827	7,357,331	8,040,855	7,453,118	7,113,923

Audubon County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Audubon County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audubon County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Audubon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Audubon County's Responses to the Findings

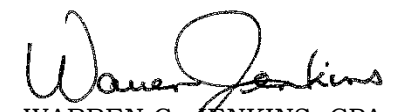
Audubon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Audubon County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Audubon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 3, 2016

Audubon County

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) County Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. An initial listing of money received is not prepared by the mail opener. Bank accounts are not reconciled monthly by an individual who does not handle cash. The individual responsible for preparing disbursements, check writing, signing, posting and reconciling is the same individual responsible for receipting collections. A change fund for the County Recorder's Office is shared among employees.
 - (2) County Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record keeping and reconciling functions for the office. A change fund for the County Treasurer's Office is shared among employees.
 - (3) County Conservation – The duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed to reconcile the amount collected to the collections recorded.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Recorder – With only the Recorder and Deputy in the office, it is not possible to segregate the duties. As Recorder, I oversee everything my Deputy does.

Audubon County

Schedule of Findings

Year ended June 30, 2015

County Treasurer – As Treasurer, I started on July 1, 2015, listing mail receipts and then going into the system to verify they were done and the amount was correct from what we received. My employees usually enter in the receipts and I balance at the end of the day. With a small staff it is sometimes necessary for me to enter receipts also. I have started having the County Recorder reconcile the bank accounts and review the bank reconciliation as of July 1, 2015. Starting in December 2015, I will have the County Recorder verify the County's investments. The change fund is not used a lot and, if it is, the employees come to me for change for their transactions.

County Conservation – We will be hiring a full time position by next camping season. We will divide these duties among the two of us.

Conclusions – County Treasurer's response accepted. The County Recorder and County Conservation should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of capital asset additions and deletions which were not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all capital asset additions and deletions are identified and included in the County's financial statements.

Response – The County will adopt or amend our capital asset policy to require addition forms where needed to ensure the accuracy and completeness of the County's capital asset listing.

Conclusion – Response accepted.

- (C) Computer Systems – Passwords are not changed every 60 to 90 days. The County's software does not require users to periodically change log-ins/passwords.

Recommendation – The County should develop written policies to improve the County's control over its computer systems.

Response – The County will work with our network of administrators to review password policy to meet new requirement of passwords being changed every 60–90 days.

Conclusion – Response accepted.

Audubon County

Schedule of Findings

Year ended June 30, 2015

(D) Disaster Recovery Plan – The County’s written disaster recovery plan does not address the following items:

- (1) Identification of steps for recovery of the system.
- (2) Requirement a copy of the disaster recovery plan be kept off site.
- (3) An inventory of all hardware and components (i.e. make, model numbers, serial numbers, etc.).
- (4) An inventory of all software applications (i.e. operating system and software applications, release versions and vendor names).
- (5) Requirement copies of all user documentation and policy and procedures manuals be located off site.
- (6) Requirement extra stocks of paper supplies (i.e. checks, warrants, purchase orders, etc.) be located off site.
- (7) Requirement and determination of whether the disaster plan is adequately tested (i.e. annually).

Recommendation – The County should develop a written disaster recovery plan which includes the above items.

Response – The Board Chairman has visited with our Emergency Management Coordinator and he will be work on a disaster recovery plan which includes required items.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County
Schedule of Findings
Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Larsen, son of E-911 Director Lester Larsen, owner of Steve's Signs and Stiches	Materials and labor - E-911 Department	\$ 516
Randall Nelsen, brother of Supervisor Todd M. Nelsen, owner of City Service and Parts and City Service-Exhaust Pros	Parts and installation	6,911
Jerry Riesgaard, brother of Veteran's Affairs Director Gary Riesgaard and cousin of Supervisor Todd M. Nelsen, owner of Reisgaard Farm Supply	Township meetings and Roadside seed	433
Tyler Thygesen, spouse of Melissa Thygesen, Data Processing Specialist in Sheriff's Office, self employed	Safety training for Secondary Roads	1,204
Dave Witt, brother of Chris Hemmingsen, Office Manager in Secondary Roads office, Owner of Ace Hardware	Various parts and supplies - Secondary Roads Department Other County departments	1,798 5,013
Vicky Sorensen, wife of Larry Sorenson, Road Side Secondary Roads Foreman, sister owns Options Ink	Signage for Secondary Roads	80

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Steve's Signs and Stiches, Jerry Riesgaard, Tyler Thygesen, and Options Ink do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year. The County Attorney's Office was previously consulted and opined the transactions with City Service and Parts and City Service – Exhaust Pros do not constitute a conflict of interest since Todd M. Nelsen has no interest, direct or indirect, in the business of his brother and he did not arrange the contracts.

Audubon County

Schedule of Findings

Year ended June 30, 2015

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Ace Hardware for the Secondary Roads Department and other County departments do not represent a conflict of interest since the Secondary Roads Office Manager's remuneration of employment is not directly affected as a result of the transactions and her duties do not directly involve procurement of the parts and supplies.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Audubon County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Kaylynn D. Short, CPA, Senior Auditor
Melissa A. Hastert, Staff Auditor
Nicole L. Reothlisberger, Staff Auditor
Tara H. Williams, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State